

**MINUTES OF THE BOARD MEETING
OF THE BOARD OF DIRECTORS OF THE
DENVER SOUTHEAST SUBURBAN WATER
AND SANITATION DISTRICT**

A regular meeting of the Board of Directors of the Denver Southeast Suburban Water and Sanitation District was held on Wednesday January 11, 2012 at the main office, the time and place of the meeting according to the posted notices. Present were District Board Members – Robert Chapman, David Eyre, Walter Partridge, Heidi Tackett, and Rod Bergholm, District Manager - Charles Krogh, District General Counsel - Jim Folkestad via phone, District Accountant - Kevin Collins, and District staff –Rhonda Lancaster and Bill Morgan. Timbers resident Ken Smith was also present.

Chairman Chapman called the meeting to order at 6:05 p.m. and established the presence of a quorum.

Minutes for the December 14, 2011 Regular Board Meeting were read and approved with amendments made by Directors Tackett and Eyre.

DIRECTOR’S BUSINESS

Chairman Chapman addressed the Board with his concern about the uncertainty of the District’s water supply when Parker Water begins filling Reuter Hess Reservoir. Manager Krogh explained to the Board that Parker Water is already filling the Reservoir with water out of Cherry Creek. Chairman Chapman asked if the District is noticing any decline in the water supply. Manager Krogh replied that the District’s Denver Basin wells are losing approximately 110 gallons per minute yearly from the combined delivery from all of the wells. Chairman Chapman asked if it would be an option to merge with an outside District with an alternative water supply. To replace the lost productivity of the Denver Basin wells the District needs to drill a new well every 2 years to replace the lost capacity. The WISE project is still moving forward and Castle Rock will be making a recommendation on their project selection in March.

PUBLIC RESPONSE

Timbers resident Ken Smith introduced himself to the Board and staff stating that he has been a resident of the Timbers since 2000 and founded and is the current President of the HOA representing Filings 23A & B. He added that he was attending the meeting to bring both his concerns and concerns of his fellow HOA members. Mr. Smith proceeded with an outline of the main concerns he has regarding the District’s tiered water rate structure.

- He has shown concern since 2006 regarding the conservation rate, the District’s upper tier. His opinion of this tier is that it is unfair to large lot owners within the District and would like to see a change in the way the charging for water is handled, such as having rates based on lot size.

- What are the criteria behind the rate structure? He is asking for communication from the District to back up the reason for the way the tiers are structured. He added that Highlands Ranch has a water budget based on 2 factors – family size and lot size. He believes that it is time for the Board to address his concern and look at the higher tier in that regard.

Director Eyre responded by addressing his belief that the HOA has a limitation on the amount of irrigated turf that is allowed for each lot within the Timbers and that the County put in place stipulations for landscaping size according to lot size when the subdivision was first developed. There is also the fact that the rate structure is based on what the District's delivery capabilities are. Manager Krogh pointed out that the property owner gets the landscaping permit from the County and their water from the District. The District does not employ water conservation technicians. Mr. Krogh added that an example of what other cities are doing to conserve water is to pay customers to remove blue grass. Manager Krogh stated that the District's legal counsel has hired Red Oak Consulting to explore how a change would impact the District's operations and to find out how other Districts have addressed larger lot sizes and what their experience has been. The Red Oak study is anticipated to be completed in March.

ITEMS FOR BOARD ACTION AND DISCUSSION:

RESOLUTION 2012-1 ESTABLISHING REGULAR MEETING TIMES, LOCATIONS FOR POSTING OF NOTICES

The Board was asked to approve the Resolution designating the meeting times and posting locations for 2012. The locations are to be the same as 2011 with postings at the Main Office notice board, the Pinery HOA office, and the Pradera Fire Station location. A motion was entered to approve the Resolution.

Motion: Heidi Tackett

Second: David Eyre

Vote: All Directors present voted in favor.

RESOLUTION 2012-2 REGARDING MAY 8, 2012 REGULAR SPECIAL DISTRICT ELECTION

The Board was asked to approve the Resolution establishing the May 8, 2012 election as a mail ballot election and designating Charles Krogh as the Designated Election Official. Three of the five Board members terms are coming up for election. A motion was entered to approve the Resolution.

Motion: Robert Chapman

Second: Walter Partridge

Vote: All Directors present voted in favor.

WISE LETTER OF INTENT

The Board was asked to consider approval of the Letter of Intent for the District's participation in the WISE project. The letter is non-binding since there are still outstanding issues. Denver and Aurora have asked for an expression of interest. Chairman Chapman noted that he is inclined to approve the Letter of Intent because there is not another good choice. Director Tackett supports joining the WISE project but wants to learn more about and understand why WISE is a good idea for the District's future. Director Bergholm asked Manager Krogh if anyone has chosen to back out of the commitment. Manager Krogh informed the Board that ACCWA is considering backing out because of their project with United Water and Sanitation District and their staff is recommending that they don't need WISE. The Board entered a motion to approve the Letter of Intent and agreed to a desired WISE subscription amount of 500 acre feet per year.

Motion: Walter Partridge

Second: Rod Bergholm

Vote: All Directors present voted in favor.

** Attorney Jim Folkestad entered the meeting at 6:50pm via telephone.*

PROPOSAL FROM CH2M HILL FOR WISE WATER PLANNING

The Board was presented with a Scope of Work that was requested from CH2M Hill for projects related to the District's water system. It addresses the Water System Model, planning for the WISE project, water quality and hydraulic analyses unrelated to WISE, water issues with CDPHE, and a replacement plan for Pump Station 1. Director Eyre added that the company is one of the top 5 in the world and is very highly respected and regarded by the water industry. Accountant Kevin Collins pointed out that a large portion of the cost would go to capital costs in the Budget. A motion was entered to approve the Scope of Work and to authorize the District Manager to sign the contract agreement in the amount not to exceed \$70,000.

Motion: David Eyre

Second: Heidi Tackett

Vote: All Directors present voted in favor.

ATTORNEY'S REPORT

Attorney Jim Folkestad updated the Board on what he and his staff are currently working on for the District including working with Mulhern MRE, Inc. regarding the Well H and Pipeline easements, the Pinery West Commercial project, Reata South easement title insurance, and continued attendance at WISE committee meetings.

ACCOUNTANT'S REPORT

Accountant Kevin Collins with Clifton Gunderson presented the November 30, 2011 financial statements to the Board.

Water: As of November 30, 2011 water operating revenues are consistent with four year average budgeted amounts. Expenses are slightly below average.

Sewer: As of November 30, 2011 sewer operating revenues are up and expenses are consistent with four year average budgeted amounts. Kevin Collins will look into why sewer revenue was up for November.

Non-operating: Non-operating revenues are above the four year average budgeted amounts mostly due to water and sewer tap fees coming in higher than budgeted amount. Late charges continue to be above budget for 2011. Non-operating expenses are consistent with the four year average budgeted amounts.

Debt Service: Debt service expenses are within the current year budget. The final payment on the 1989 CWRPDA made in August 2011 included a net earnings credit of \$174,167, which was \$111,000 more than expected.

Mr. Collins addressed the issue regarding Colorado Trust going through a change in their management company. He is confident that everything is stable with Colorado Trust, however feels that Colo Trust is not as transparent as C-Safe in their management decisions.

TREASURER'S REPORT

Director Bergholm presented the Treasurer's Report for Board approval for the month of December, 2011. A motion was entered to issue checks as written in the amount of \$692,674.51 and \$3,633.28 for the interim report. It was noted that \$400,000 of the payables total was for 2 bond payments.

Motion: Rod Bergholm

Second: David Eyre

Vote: All Directors present voted in favor.

DISTRICT MANAGER'S REPORT

Manager Krogh presented the Board with an update on what is going on around the District:

- Meeting with Commissioner Rapella and Ron Redd to get updated on Castle Rock's progress regarding the WISE project.
- Letters to Customers on monthly billing – The letter about the conversion to monthly billing will be in the mail around the 9th of January.
- February Board meeting date – The meeting is scheduled for the 8th. Manager Krogh asked the Board if they would like to change the meeting to the following week on the 15th. The Board would like to keep the 8th of February for the next Board meeting.
- The Pinery Water and Wastewater District Water Rights Case – The objection period ended December 31, 2011. The District has 12 objectors. The Substitute Water Supply Plan was filed on January 4th and approval for that may take a few months.
- Electrician – The District has hired a new electrician, Chuck Harrison. He previously worked for Urban Electric where he worked on three construction projects for the District so he has a bit of familiarity with our facilities and staff.

Chairman Chapman noted that he appreciated the information provided to the Board on the water rights initiatives 3 & 45.

Director Bergholm requested for Denver Basin data information to be added in the monthly Board packets.

There being no further business to come before the Board, Chairman Robert Chapman closed the regular meeting at 8:30 pm.

A handwritten signature in black ink, appearing to read "Robert Chapman", written over a horizontal line.

ROBERT CHAPMAN, CHAIRMAN OF THE BOARD
OF DIRECTORS, DENVER SOUTHEAST SUBURBAN
WATER & SANITATION DISTRICT

ATTEST:

A handwritten signature in blue ink, appearing to read "Walter Partridge", written over a horizontal line. To the left of the signature is a small blue mark that looks like "W".

WALTER PARTRIDGE, SECRETARY